

addition, a central data provider, such as a Reuters or Bloomberg, could calculate the mid-points, and include these in their data. Because the implementation of such an adapted, conventional system is clearly within the competence of the skilled implementer, no detailed description of such a system is included in this specification.

Moving from the more conventional applications of the present inventive, business concept, a more demanding application of the present invention is an entirely Web based system for enabling FX to be matched and transferred. Such a system will be described in detail.

Currently, banks broker foreign exchange transactions, providing an intermediary to purchase and sell currency for both their and their clients' accounts. For each transaction the bank garners the "spread", typically 5 basis points on large transactions and up to 4% (400 basis points) on smaller transactions.

In an embodiment of the present invention, the appropriate underlying transactional software allows one end user of the foreign exchange (e.g. a first corporation, Corporation A, doing a cross border procurement) to liaise directly or indirectly with a counterparty, a second corporation, Corporation B, which requires the home currency of Corporation A. The bank brokering function can be eliminated: that is, the spread currently absorbed by the two sample corporations would be negated, or based on a more transparent spread using a mid-point price established using posted Interbank rates. Where the spread is entirely eliminated, each party to a transaction where the quoted spread was 5 basis points, would therefore improve their cash position by 2.5 basis points. For smaller customers the savings would be even greater.

Figure 1 illustrates this principle: the best corporate rates for exchanging CADollars for USDollars are shown: the highest bid price for a potential seller of USD for CAD is 1.5060 CAD and the lowest offer price for a potential buyer of USDollars for CAD is at 1.5070 as shown i.e. if one wants to buy a USDollar it would cost 1.5070 CAD and if one wants to sell a USDollar, one would receive 1.5060 CAD in return. Therefore, 1.5060/70 is the bid/offer spread for USD to CAD in this example.

These are the rates available to major corporates handling high volume transactions. The prices for smaller companies will be far less favourable. The mid-point price of 1.5065 CADollars to the USDollar offers an in principle saving of 5 basis points, or 500 per USD1Million exchanged. For smaller companies, who can most benefit from the present invention, the percentage savings would be greater still.

Moreover, transactions can be executed in a multitude of dimensions: two way; three way; four way; etc, since the software would expose the transactional opportunities available to each of the clients.

The overall system approach can best be understood through a sample problem:

Sample problem

Imagine the following:

1. That the spot price of CDN\$ is US\$ 1.5363 - 1.5373 at November 27/98.
2. That Corporation A is buying US \$1M to purchase equipment at a cost of CDN \$1,537,300.00. Corporation A. has CDN \$1,536,800.00 on account with a bank for the transaction (note: this assumes that the bank provides the best rate to Corporation A).

3. That Corporation B has US\$1M on account with the bank but requires CDN\$1,536,300.00 to purchase raw materials.

If the bank matches its own funds to supply Corporation A with US\$1M and Corporation B with CDN\$1,536,300.00, then it makes a profit of \$1,000.00 per \$million transacted. Although \$1,000 is a very small amount in the context of a significant \$1M transaction, the total global volume of such transactions is extremely large, so that the cumulative profits to banks are very substantial.

In the present invention, the following occurs: Corporation A and B agree before transacting that they will do so at an exchange rate that is the mid-point of the posted Interbank rate, for example, the Interbank highest bid, lowest offer at the appropriate time. This is a fair compromise for each participant. Hence, the transaction can be completed automatically, rapidly and efficiently. The party and counterparty each deposit the funds needed to execute a transaction with a financial institution; the funds are preferably pre-cleared and are not marginable through the system. A sophisticated computer program determines that the party and counterparty are taking reciprocal positions, which can be matched against each other and instructs the relevant financial institutions to transfer the required foreign exchange as, in effect, a swap. By matching Corporation A with Corporation B, each of their positions is improved by \$500.00 per million, less a transaction fee to an intermediary of perhaps \$50.00 per side. The result is that Corporation A receives US\$1M for \$1,536,750 per million; a saving of \$450.00 per million; Corporation B Receives \$1,536,850 for US\$1M; an improvement in profit of \$450.00. The system has in effect reduced the spread to 1 basis point. The spread can theoretically be reduced to just short of zero since the present invention operates efficiently and automatically. This example works because of the exactly matching